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EXDIS-DOD HANDLE AS SPECAT EXCLUSIVE FOR SECDEF

E.O. 11652: GDS

TAGS: PFOR

SUBJECT: MORNING SUMMARY OF SIGNIFICANT REPORTS

1. BAHRAIN: F-5S ON THE RUNWAY

ACTING PRIME MINISTER AND HEIR-APPARENT SHAIKH HAMAD TOLD
CHARGE BURLEIGH ON SEPTEMBER 18 THAT BAHRAIN PREFERS TO
OBTAIN FIGHTERS RATHER THAN HELICOPTERS FROM THE US. THE
SHAIKH:

--TIED A RESPONSE ON AN EXPORT LICENSE FOR F5S TO THE
U.S.S. LASALLE'S STAY AND REQUESTED A RESPONSE WITHIN
TWO WEEKS.

--SAID THAT EVEN IF THE ANSWER WERE NO, "WE ARE STUCK
WITH EACH OTHER."

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CHARGE'S COMMENT: WERE IT NOT FOR THE OUTSTANDING QUESTION

OF THE FUTURE OF THE MIDDLE EAST FORCE IN BAHRAIN, I WOULD HAVE SIMPLY REJECTED SHAIKH HAMAD'S REQUEST ON THE SPOT. BUT IT IS PERHAPS PAST TIME FOR THE US TO TELL THE BAHRAINIS OF OUR REGIONAL CONCERNS AND POLICIES, THE LIMITS OF OUR INTEREST IN BAHRAIN AND, GENERALLY SPEAKING, THE HARSH CONSTRAINTS, BOTH POLITICAL AND FINANCIAL, ON

OUR OPTIONS. (SECRET) MANAMA 1409, 9/19 AND (CONFIDENTIAL) MANAMA 1408, 9/19 (EXDIS).

2. ZAIRE: ECONOMIC STABILIZATION SIX MONTHS LATER

FACED WITH A HUGE BALANCE OF PAYMENTS DEFICIT, A STAGNANT ECONOMY AND AN UNMANAGEABLE FOREIGN DEBT, THE GOZ HAS DEVOTED CONSIDERABLE ENERGY TOWARD IMPLEMENTING AN ECONOMIC STABILIZATION PROGRAM. STABILIZATION WAS TO BE ACHIEVED THROUGH RAISING THE PRICES OF INTERNATIONALLY TRADED GOODS, LIMITING WAGE INCREASES, TIGHTENING CREDIT, REDUCING THE EXTERNAL DEBT PLUS THE GOVERNMENT DEFICIT, AND CURTAILING IMPORTS. HOWEVER, EMBASSY KINSHASA REPORTS THE OVERALL RECORD OF RESULTS REMAINS SOMEWHAT DISAPPOINTING. THE MEAGER RESULTS STEM FROM THE GOVERNMENT'S:

--OVERLY HIGH EXPECTATIONS;

--SLOWNESS IN ALLOWING NECESSARY PRICE HIKES;

--INEFFECTUAL AND HALF-HEARTED IMPLEMENTATION; AND

--LACK OF RESOLVE IN CONTROLLING THE ALLOCATION OF BUDGETARY RESOURCES AND FOREIGN EXCHANGE.

WE SEE SOME PROGRESS, CONSIDERING THE COMPLEXITIES INVOLVED, THE GOVERNMENT'S LIMITED ADMINISTRATIVE CAPABILITIES, AND THE POLITICAL NECESSITY OF CAUTIOUS MOVEMENT. THE MOST SIGNIFICANT CAUSE OF THE GOZ BUDGETARY DEFICIT IS THE REVENUE SHORTFALL, AGGRAVATED BY THE FACT THAT THE PRESIDENCY HAS FAR EXCEEDED ITS BUDGET. (CONFIDENTIAL) KINSHASA 7840, 9/18.

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3. GUATEMALA: BELIZE--FOREVER OURS

IN DISCUSSING THE BELIZE ISSUE WITH ASSISTANT SECRETARY SHLAUDEMAN, PRESIDENT LAUGERUD AND FOREIGN MINISTER MOLINA EXPRESSED CAUTIOUS OPTIMISM ABOUT IMPENDING TALKS WITH THE UK IN PANAMA. THEY STRESSED THE GOG DESIRE TO SEEK A SOLUTION BUT NOTED:

--CESSION OF BELIZEAN TERRITORY TO GUATEMALA WAS A
SINE QUA NON OF AGREEMENT.

--FAILURE OF UK-GOG NEGOTIATIONS WOULD LIKELY BRING
CUBAN INTERVENTION IN BELIZE.

--BECAUSE GUATEMALA'S CONSTITUTION STATES BELIZE IS
PART OF GUATEMALAN NATIONAL TERRITORY AND ANY RETREAT

FROM THIS POSITION WOULD HAVE TO BE APPROVED BY THE
CONGRESS AND THE COUNCIL OF STATE, A FACE-SAVING
COMPROMISE WAS NECESSARY FOR GUATEMALA.

--GUATEMALA IS READY TO TAKE MILITARY ACTION IF THE
UK UNILATERALLY GRANTS BELIZE INDEPENDENCE.

EMBASSY COMMENT: LAUGERUD WAS BOTH FORCEFUL AND ARTI-
CULATE IN PRESENTING GOG VIEWS. HE SEEMED DEADLY SERIOUS
ABOUT SEEKING A SOLUTION, SO LONG AS IT INCORPORATED THE
TERRITORIAL CONCESSION. (CONFIDENTIAL) GUATEMALA 6509,
9/17.

4. TURKEY: NO MISSILES AIMED AT GREECE

RESPONDING TO GREEK PRESS REPORTS THAT TURKEY HAD MOVED
PERSHING MISSILES TO COVER THE AEGEAN ISLANDS, A MEMBER OF
THE TURKISH GENERAL STAFF SAID, "IT IS A 100 PERCENT LIE."
EMBASSY ANKARA FURTHER REPORTS THAT, ACCORDING TO ITS
MILITARY SOURCES, THE MISSILES WHICH ARE IN TURKEY (HONEST
JOHNS) HAVE NOT BEEN MOVED FROM THEIR NATO-DESIGNATED
MISSIONS. (LIMITED OFFICIAL USE) ATHENS 9998, 9/17 AND
(CONFIDENTIAL) ANKARA 7172, 9/19.

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5. TUNISIA: NOUIRA'S POSITION STRENGTHENED

THE END OF SUMMER AND RAMADAN FINDS PRIME MINISTER HEDI
NOUIRA IN A STRONGER POSITION AND MORE ABLE TO COMMAND A
FOLLOWING WITHIN THE GOVERNMENT. EMBASSY TUNIS WHICH
CREDITS NOUIRA WITH MANAGING A SUCCESSFUL ECONOMIC POLICY
OVER THE PAST SIX YEARS, NOTES THE GOT IS:

--IMPLEMENTING A FIFTH DEVELOPMENT PLAN AIMED AT THE
MOST PRESSING SOCIAL DEMANDS; AND

--FORMULATING A NEW CONCILIATORY POLICY TOWARD DIS-
SIDENT STUDENTS.

EMBASSY COMMENT: FOR THE NEAR TERM, NOUIRA LOOKS STRONG,

BUT DISCONTENT AND POTENTIAL UNREST ARE JUST BELOW THE SURFACE AND COULD ERUPT. THERE ARE STILL DISAFFECTED STUDENTS AND WORKERS AND INFLATION IS RAMPANT. NOUIRA ALSO MAY HAVE ENGINEERED TROUBLE FOR HIMSELF. THE FIFTH DEVELOPMENT PLAN CALLS FOR A LOWER ANNUAL INCREASE IN PRIVATE CONSUMPTION IN ORDER TO ACCUMULATE MORE DOMESTIC CAPITAL FOR THE DEVELOPMENT EFFORT. (CONFIDENTIAL) TUNIS 6522, 9/18.

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6. OMAN: LATEST MASIRAH TURN-OVER TIMETABLE

THE FCO PROVIDED EMBASSY LONDON WITH THE LATEST THINKING ON BRITISH WITHDRAWAL FROM MASIRAH:

--THE RAF WILL PHASE OUT DURING JANUARY-MARCH, 1977.

--SIX TO TWELVE BRITISH PERSONNEL WILL BE SECONDED TO THE OMANI GOVERNMENT TO PROVIDE TECHNICAL ASSISTANCE IN OPERATING THE AIRFIELD.

--THE OMANIS WILL PROBABLY SET UP A FLYING SCHOOL RUN LARGELY BY BRITISH CONTRACT PERSONNEL.

--THE BBC RELAY STATION WILL MOST LIKELY REMAIN.

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